

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-06 EA-07 ISO-00 EURE-00 SP-02 AID-05 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02

OPIC-03 LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 /100 W

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P R 221154Z OCT 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 5776

INFO AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY THE HAGUE

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AMEMBASSY MADRID

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 16174

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: XGDS-1

SUBJECT: INTERNATIONAL FINANCE CORPORATION (IFC) CAPITAL
REPLENISHMENT

REF: A) STATE 242712; B) BRUSSELS 9372/

SUMMARY: H.M. GOVERNMENT NOT ENTHUSIASTIC ABOUT U.S.

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PROPOSAL TO QUADRUPLE CAPITAL OF IFC AND EXPAND ITS AC-

TIVITIES. IN GENERAL, IT CONSIDERS THAT THE MOST SERIOUSLY AFFECTED (MSA) NATIONS WILL NOT BENEFIT FROM THE PROPOSAL NOR DOES IT FIT INTO UK VIEWS ON BEST UTILIZATION OF SCARCE AID FUNDS. LEFT WING LABOR PARTY THEOLOGY ALSO INVOLVED. A FIRM INTER-MINISTRY HMG POSITION HAS NOT YET BEEN ARRIVED AT, BUT IT WILL PROBABLY ECHO ABOVE SENTIMENTS. IN ADDITION, SOURCES HERE CONSIDER THAT HMG'S SHARE OF IFC CAPITAL IS A RELIC OF THE PAST AND SHOULD BE REDUCED. END SUMMARY.

1. EMBASSY OFFICERS MADE SEPARATE CALLS ON HM TREASURY AND OVERSEAS DEVELOPMENT MINISTRY STAFF OFFICIALS RESPONSIBLE FOR IFC. FINANCIAL ATTACHE DISCUSSED U.S. POSITION REFTEL A IN DETAIL WITH MALCOLM WIDDUP, UNDER SECRETARY, H.M.T., DRAWING HEAVILY ON PARA. LL AND SEEKING VIEWS OF UK OF PARA. L2. WIDDUP STRESSED HE WAS SPEAKING PERSONALLY BECAUSE THERE IS AS YET NO OFFICIAL HMG POSITION ON THE U.S. PROPOSAL; HIS INITIAL REACTIONS ARE THAT THE U.S. PROPOSAL WOULD AID THE WEALTHIER LDCS RATHER THAN MSAS. THOSE LDCS MOST IN NEED OF HELP PROBABLY WOULD NOT BE ABLE TO MOBILIZE PRIVATE CAPITAL. HE DEFINITELY DID NOT REPEAT NOT TAKE A DOG IN THE MANGER ATTITUDE TOWARD U.S. PROPOSALS, BUT SAID THEY ARE NOT IN KEEPING WITH HMGS VIEWS ON HOW BEST TO AID THOSE MOST IN NEED. CONCERNING UK'S OWN CONTRIBUTION, UK'S EXISTING SHARE IS BEHIND THE TIMES AND SHOULD BE REDUCED. THESE VIEWS PARALLEL THOSE OF UK EXECUTIVE DIRECTOR AT IBRD REPORTED IN PARA. L3, REF A.

2. EMBASSY ECONOMIC OFFICER DISCUSSED CAPITAL REPLENISHMENT OF IFC WITH DOUGLAS WILLIAMS, DEPUTY SECRETARY, MINISTRY OF OVERSEAS DEVELOPMENT (ODM) AND DONALD GLASON, INTERNATIONAL FINANCE DEPARTMENT, ODM, HIGHLIGHTING POINTS IN REF A AND EMPHASIZING THAT THIS IS ONE OF THE US'S MAJOR PROPOSALS DESIGNED TO MEET CONCERNS OF THE DEVELOPING WORLD. ODM FEELS IT HAS PRIMARY RESPONSIBILITY FOR SETTING POLICY ON IFC AS ANY CONTRIBUTION TO IT MUST BE MADE FROM ODM BUDGET. IN RESPONSE TO REQUEST FOR REACTIONS (PARA. L2, REF A), WILLIAMS REITERATED COMMENTS MADE BY UK EXECUTIVE DIRECTOR AT IBRD. HE WAS, HOWEVER, CONFIDENTIAL

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MORE EXPLICIT THAN THE EXECUTIVE DIRECTOR IN EXPRESSING FEELING THAT LOT ONLY "MAY" 10 PERCENT BE "TOO LARGE"; BUT THAT CONTINUED UK CONTRIBUTION TO IFC IS VERY QUESTIONABLE. HE STATED HMG'S BASIC ANTI-PATHY TO IFC DATES FROM JUDITH HART'S STINT AS MINISTER FOR OVERSEAS GOVERNMENT. SHE STRESSED REPEATEDLY THAT A SOCIALIST GOVERNMENT SHOULD NOT BE INVOLVED IN ASSISTING PRIVATE ENTERPRISE TO DEVELOP FAVORED POSITIONS IN DEVELOPING WORLD

AND ARGUED THAT MOST OF IFC INVESTMENTS ARE IN MORE DEVELOPED OF THE DEVELOPING COUNTRIES AND THAT LITTLE, IF ANY, FILTERS DOWN TO MSA NATIONS. WILLIAMS EMPHASIZED THAT HART'S PHILOSOPHICAL OPPOSITION TO IFC IS STILL REFLECTED IN PRESENT CABINET THINKING AND CERTAINLY REFLECTS POSITION OF CURRENT ODM MINISTER, REG PRENTICE. WILLIAMS ALSO NOTED THAT WHITEHALL HAS NOT YET DEVELOPED COMMON POSITION ON OUR PROPOSAL. THERE WILL, HOWEVER, BE MEETINGS PRIOR TO IFC MANAGEMENT VISIT ON OCTOBER 23. HE DID NOT SUGGEST, HOWEVER, THAT AGREED POSITION CAN BE REACHED BY THAT TIME.

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P R 221154Z OCT 75

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3. PRELIMINARY DISCUSSION WITH GEOFFREY LITTLER CONCERNING EC MONETARY COMMITTEE'S VIEW OF FINANCIAL ACTIVITIES OF IMF AND IBRD WAS INCONCLUSIVE (REF. B). LITTLER SAID THE MONETARY COMMITTEE HAS UNDER CONSIDERATION SETTING UP A SPECIAL WORKING GROUP THAT WOULD COORDINATE EC VIEWS ON ISSUES LIKELY TO BE DISCUSSED BY THE FINANCIAL COMMISSION AT THE FORTHCOMING PREPCON SESSION. ALTHOUGH HE

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WOULD LIKE TO CHAIR THE EC WORKING GROUP, IT IS NOT YET CERTAIN THAT HE WILL. SOME OF THE DIFFICULTY APPARENTLY ARISES FROM THE UK'S INSISTENCE ON HAVING ITS OWN CHAIR AT THE SESSIONS. WE STRESSED BASIC US POSITION ON IFC CAPITAL REPLENISHMENT TO LITTLER AND WILL FOLLOW UP IN MORE DETAIL BUT BELIEVE THAT AN EC COUNTRY MORE FRIENDLY TO US VIEWS WOULD BE MORE EFFECTIVE THAN UK IN SUPPORTING OUR POSITIONS IN EC DELIBERATIONS.

4. COMMENT: FROM TONE OF CONVERSATIONS, WE JUDGE ODM'S VIEWS ARE MORE NEGATIVE THAN HM TREASURY'S. AT BEST, HOWEVER, EVEN HM TREASURY TENDS TO VIEW IFC AS PERIPHERAL IN TERMS OF OVERALL IMF/IBRD ACTIVITIES.

RICHARDSON

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC GROWTH, LESS DEVELOPED COUNTRIES, CAPITAL (FINANCE), DEVELOPMENT PROGRAMS, PROPOSALS (BID), MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LONDON16174
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Film Number: D750366-0834
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751029/aaaaazty.tel
Line Count: 203
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 STATE 242712
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 24 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 APR 2003 by ShawDG>; APPROVED <28 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INTERNATIONAL FINANCE CORPORATION (IFC) CAPITAL REPLENISHMENT
TAGS: EAID, EFIN, US, UK
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006